



July 17, 2013

Dear Friends and Investors,

It was a volatile and somewhat confusing quarter for investors, with stocks ending the period higher despite a surge in interest rates. The fireworks began on May 22 when comments emanating from the Fed spooked investors. The decline began to accelerate on June 19 when the Fed's policy statement clearly indicated that the central bank may begin to wind down its current bond-buying program (QE3) later this year. **Interest rates on the 10-year Treasury spiked to 2.59% – nearly +100 bps above the May 2 low of 1.63%**. In the final days of the quarter, equities reversed yet again as various Fed officials made public statements aimed at calming the markets.

Rising volatility and widening credit spreads do not typically favor the performance of small cap stocks. However, **small cap stocks led large cap for the third consecutive quarter**, with the Russell 2000 returning **+3.08%** versus **+2.65%** for the Russell 1000 and **+2.91%** for the S&P 500. Style performance was mixed across market caps, with value outperforming among large cap and underperforming among small and mid cap. As rates spiked, **investors also rejected high quality, low beta, and dividend-paying stocks in favor of cyclical growth stocks**.

Q2 2013 Composite Performance Summary ¹														
	Small Cap Value		SMID Cap Value		DAV		DAV II		Independent Value		Long-Short Equity		Research Fund	
	Q2 2013	YTD	Q2 2013	YTD	Q2 2013	YTD	Q2 2013	YTD	Q2 2013	YTD	Q2 2013	YTD	Q2 2013	YTD
Gross	3.74%	17.07%	2.57%	16.55%	3.15%	17.72%	3.26%	17.83%	-0.84%	2.52%	1.06%	8.32%	5.20%	18.87%
Net	3.53%	16.61%	2.37%	16.10%	2.98%	17.33%	3.10%	17.48%	-1.08%	2.03%	0.76%	7.67%	4.93%	18.28%
Benchmark²	2.47%	14.39%	1.54%	15.10%	3.14%	15.78%	3.14%	15.78%	2.47%	14.39%	2.69%	14.06%	3.14%	15.78%
+ / -	+1.27%	+2.68%	+1.03%	+1.45%	+0.01%	+1.94%	+0.12%	+2.05%	-3.31%	-11.87%	-1.63%	-5.74%	+2.06%	+3.09%

Despite the high beta/low quality headwind, River Road's **Small Cap Value (SCV)** and **Small-Mid Cap Value (SMID)** Strategies posted strong returns for the quarter, handily beating their respective benchmarks. Performance was driven primarily by M&A activity within the Portfolios and a relative underweight position in bond-like equities, such as REITs and Utilities.

Despite the surge in interest rates and the significant underperformance by dividend paying stocks, the **Dividend All-Cap Value (DAV and DAV II)** Strategies managed to slightly outperform their benchmark. Performance was aided by a tilt toward more cyclical Portfolio holdings that has occurred over the past several quarters and a subtle refinement to the team's sizing approach, which allowed the Portfolio to more fully leverage the strong performance of newer positions.

The River Road **Long-Short Equity** Strategy, which celebrated the three year anniversary of its composite on July 1, returned **+1.06%** (+0.76% net) in Q2 versus **+2.69%** for the Russell 3000. The long portfolio (**+4.38%**) outperformed and the short portfolio (**+7.75%**) underperformed during the quarter, as lower quality and higher beta stocks outperformed the broader market. On the long side of the Portfolio, companies that have been returning cash to shareholders continue to outperform. This is reflected in the Portfolio's top five long contributors, which have, on average, repurchased +6.8% of their shares outstanding over the past year. The Strategy's short portfolio struggled during Q2, with two of the largest negative contributors involved in M&A.

We are thrilled that in the three years since inception, the Long Short Strategy has returned **+14.09%** (+12.80% net) annualized versus **+18.63%** for the Russell 3000, with just 48% of the market's volatility, a beta of 0.41, and a maximum drawdown of -7.65% (versus -20.4% for the Russell 3000).³ We also wish to thank our clients and their advisors for supporting the Strategy, with AUM quickly approaching \$100 million.

The River Road **Independent Value** Strategy lagged its benchmark during Q2. The Portfolio's underperformance was due to both a continued rotation into undervalued sectors that remain out-of-favor with investors and a high level of cash. While these actions have negatively impacted short-term relative performance, they are consistent with the Portfolio's objective of generating attractive absolute returns over a market cycle while avoiding permanent capital impairment.

¹ Please see the attached Market & Portfolio Commentary for important performance disclosures. Past performance is no guarantee of future results.

² Benchmarks: SCV – Russell 2000 Value; SMID – Russell 2500 Value; DAV – Russell 3000 Value; DAV II – Russell 3000 Value; Independent Value – Russell 2000 Value; Long-Short Equity – Russell 3000; Research Fund – Russell 3000 Value. ³Market volatility calculated as standard deviation; beta, max drawdown, and standard deviation calculated gross of fees for the Long-Short Composite.



River Road's **Research Fund** (previously Focus All-Cap Value) performed exceptionally during Q2 returning **+5.20%** (+4.93% net) versus **+3.14%** for the Russell 3000 Value index. The Research Fund is managed by our analyst team, under the supervision of RRAM CEO, Andrew Beck, and Co-CIO, Thomas Forsha. The Research Fund consists of **the analyst team's highest conviction picks from among all of the firm's existing Portfolio holdings**. The Research Fund is concentrated (20 to 30 holdings), benchmark independent, and must remain fully invested at all times. The Strategy was initially created as a learning tool to develop the portfolio management and leadership skills of our analyst team. To the credit of our analysts, it has also delivered fantastic investment results over the past four years, returning since inception (January 1, 2009) **+24.49%** annualized (+23.25% net) versus **+15.25%** for the benchmark Russell 3000 Value index. Additionally, it has generated that outperformance while exhibiting a beta of just 0.85.

With regard to firm news, **River Road recently hired Jeffrey B. Hoskins, CFA to serve as an Equity Research Analyst**. Jeff graduated from Vanderbilt University with a B.A. in United States History and an M.B.A with concentrations in Finance and Accounting. Jeff has more than 15 years of investment industry experience. Prior to joining River Road, Jeff held various investment positions at The Seidler Cos. Inc. and SunTrust Equitable Securities. Most recently, he worked at BMO Capital Markets where his research covered the Media/Entertainment and Gaming industries. We are thrilled to have Jeff join our team and look forward to his contribution.

We hope you enjoy reading the attached Market Commentary and Outlook and welcome your questions and feedback. Thank you for your business.

R. Andrew Beck
President & CEO, Senior Portfolio Manager

James C. Shircliff, CFA
Chief Investment Officer

Henry W. Sanders, III, CFA
EVP & Senior Portfolio Manager



Disclosures:

River Road Asset Management, LLC ("RRAM" or "the Firm") is a registered investment adviser formed in April 2005 and is owned by Aviva Investors North America Holdings, Inc., a wholly-owned affiliate of UK-based Aviva PLC. This presentation may be presented by an employee of Aviva Investors, Aviva Investors Americas, or another Aviva entity, which are affiliates of RRAM. RRAM claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites and a presentation that complies with the requirements of the GIPS® standards, which is available upon request by contacting Thomas D. Mueller, CPA, CFA at (502) 371-4100 or thomas.mueller@riverroadam.com.

For all composites, the U.S. Dollar is the currency used to express performance and performance includes the reinvestment of all income.

Small Cap Value Equity Composite Disclosures:

Inception date: January 1, 1998. The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small cap value domestic equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small cap company as one whose market capitalization is less than \$3 billion. The Manager selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$50 million and \$3 billion, employing a value-driven, bottom-up fundamental approach. The official benchmarks for the Small Cap Value Equity Composite are the Russell 2000 Value and Russell 2000. *Russell 2000 Value* – Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small cap value market. *Russell 2000* – Unmanaged index that contains the 2,000 smallest common stocks in the Russell 3000, which contains the 3,000 largest stocks in the U.S. based on total market capitalization;

As of June 30, 2013, net of fees returns for the Small Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -1.08%, 3.53%, 16.61%, 23.38%, 16.46%, 6.98%, 11.64%, and 10.68%. As of June 30, 2013, returns for the Russell 2000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.41%, 2.47%, 14.39%, 24.77%, 17.33%, 8.59%, 9.30%, and 7.88%. As of June 30, 2013, returns for the Russell 2000 are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.51%, 3.08%, 15.86%, 24.21%, 18.67%, 8.77%, 9.53%, and 6.71%.

Performance presented prior to April 1, 2005 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

Small-Mid Cap Value Equity Composite Disclosures:

Inception Date: March 1, 2007. The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in small-mid cap value domestic equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small to mid cap company as one whose market capitalization is less than \$6 billion. RRAM selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$250 million to \$6 billion, employing a value driven, bottom-up fundamental approach. The official benchmark of the Small-Mid Cap Value Composite Portfolio is the Russell 2500 Value - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market.

As of June 30, 2013, net of fees returns for the Small-Mid Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year and Inception to Date periods: -1.84%, 2.37%, 16.10%, 23.79%, 18.50%, 8.02% and 5.17%. As of June 30, 2013, returns for the Russell 2500 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year and Inception to Date periods: -1.02%, 1.54%, 15.10%, 26.88%, 18.92%, 9.42% and 4.31%.

Dividend All-Cap Value Composite (DAV) and Dividend All-Cap Value II Composite (DAV II) Disclosures:

Inception Date DAV: October 1, 2003. Inception Date DAV II: January 1, 2011. The composites contain fully discretionary accounts that seek to provide long term capital appreciation and high current income by investing primarily in a diversified, all-cap basket of income producing equity securities that trade at a discount to the firm's estimate of absolute value. The composites are primarily invested in dividend-paying common stocks. The composites may also be invested in a broad range of foreign stocks, publicly traded partnerships, convertible preferred stocks, Real Estate Investment Trusts ("REITs"), investment companies, and royalty income trusts. For the DAV II Composite only, the securities must have a market capitalization of typically at least \$1 billion at the time of initial purchase. RRAM employs a value-driven, bottom-up approach. The official benchmark for the composites is the Russell 3000 Value - Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market.

As of June 30, 2013, net of fees returns for the Dividend All-Cap Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: -0.63%, 2.98%, 17.33%, 21.27%, 17.76%, 8.69%, and 11.09%. As of June 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, and Inception to Date periods: -0.85%, 3.14%, 15.78%, 25.28%, 18.41%, 6.83%, and 7.84%.

As of June 30, 2013, net of fees returns for the Dividend All-Cap Value II Composite are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: -0.66%, 3.10%, 17.48%, 20.39%, and 12.79%. As of June 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: -0.85%, 3.14%, 15.78%, 25.28%, and 13.10%.

Performance for the DAV Composite presented prior to April 1, 2005 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individuals primarily responsible for selecting the securities to buy and sell. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners & Company.

Independent Value Composite Disclosures:

Inception Date: November 1, 1998. The composite contains fully discretionary accounts that seek attractive absolute returns over a market cycle by primarily investing in small cap equity securities that trade at a discount to the firm's estimate of absolute value. For this composite, RRAM defines a small cap company as one whose market capitalization is less than \$5 billion. The Manager selects securities from a universe of companies with a market capitalization at the time of initial purchase between \$100 million and \$5 billion, employing a value-driven, bottom-up fundamental approach. The official benchmark for the Independent Value Equity Composite is the Russell 2000 Value – Unmanaged index constructed to provide a comprehensive and unbiased barometer of the small cap value market.

As of June 30, 2013, net of fees returns for the Independent Value Composite are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.80%, -1.08%, 2.03%, 6.31%, 11.85%, 12.64%, 10.48%, and 10.28%. As of June 30, 2013, returns for the Russell 2000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, 5 year, 10 year, and Inception to Date periods: -0.41%, 2.47%, 14.39%, 24.77%, 17.33%, 8.59%, 9.30%, and 9.27%.

The Independent Value Equity Composite was created September 1, 2010. Performance presented prior to September 1, 2010 occurred while the portfolio manager was affiliated with a prior firm and the portfolio manager was the only individual primarily responsible for selecting securities to buy and sell for the relevant strategy composite. A review of this track record for compliance with portability requirements of the GIPS® standards was conducted by Ashland Partners.

Long-Short Equity Composite Disclosures:

Inception date: July 1, 2010. The composite contains a fully discretionary account that seeks equity-like returns with reduced volatility over a full market cycle by investing primarily in long equity securities that trade at a discount to the firm's estimate of absolute value and selling short equity securities that trade a premium to the firm's estimate of Absolute Value. The composite will invest in short securities. The long and short portfolios will typically represent 50-100% and 10-90% of the total composite, respectively. Additionally, the composite may use options, futures, and other derivatives but these will not represent a significant portion of the composite. The official benchmark for the Long-Short Equity Composite is the Russell 3000 - Unmanaged index that contains the 3,000 largest stocks in the U.S. based on total market capitalization.

As of June 30, 2013, net of fees returns for the Long-Short Equity Composite are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: -1.62%, 0.76%, 7.67%, 13.04%, and 12.80%. As of June 30, 2013, returns for the Russell 3000 are as follows for the month, QTD, YTD, 1 year, and Inception to Date periods: -1.30%, 2.69%, 14.06%, 21.46%, and 18.63%.

Research Fund Composite Disclosures:

Inception Date: January 1, 2009. The Research Fund invests in high conviction holdings chosen from a universe consisting of companies held in other RRAM strategies. Investment decisions for the Research Fund are made by members of RRAM's analyst team. RRAM portfolio managers provide oversight of the investment decisions, but generally RRAM analysts are determining the timing of purchases and sells, sizing of positions, and the make-up of the portfolio. The team of analysts involved with the investment decision making for the strategy may change over time.

The composite contains fully discretionary accounts that seek capital appreciation by investing primarily in equity securities that trade at a discount to the firm's estimate of absolute value. The clients for these accounts are current employees of RRAM. For this composite, RRAM selects securities from a universe of companies that are held by other RRAM strategies, which typically includes all market capitalizations. RRAM employs a value-driven, bottom-up fundamental approach. The official benchmark for the composite is the Russell 3000 Value -Unmanaged index constructed to provide a comprehensive and unbiased barometer of the broad value market.

As of June 30, 2013, net of fees returns for the Research Fund Composite are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -2.33%, 4.93%, 18.28%, 25.81%, 23.42%, and 23.25%. As of June 30, 2013, returns for the Russell 3000 Value are as follows for the month, QTD, YTD, 1 year, 3 year, and Inception to Date periods: -0.85%, 3.14%, 15.78%, 25.28%, 18.41%, and 15.25%.